GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:294
ANSWERED ON:22.03.2002
PERMISSION FOR IMPOSITION OF SERVICE TAX
MARGARET ALVA;RUDRAGOUDA PATIL

Will the Minister of FINANCE be pleased to state:

(a) whether some State Governments have been urging Union Government to permit them to impose service tax;

(b) if so, the names of the States and the details of the proposals made by them; and

(c) the action taken by Union Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a),(b) &(c): A Statement is laid on the Table of the House

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO.294 DATED 22ND MARCH, 2002 BY SHRIMATI MARGARET ALVA & R.S. PATIL ON PERMISSION FOR IMPOSITION OF SERVICE TAX

(a),(b)&(c): Yes, Sir. In the Conference of Chief Ministersof States held on 16 November 1999 relating to domestictax reforms, it was decided unanimously by all the States to implement uniform floor rates of sales taxin the entire country. It was also decided to phase out sales tax based incentive schemes for industries, reform the Central sales tax system and introduce value added tax (VAT) from 01 April., 2002. In the Conferenceof Chief Ministers held on 22 June, 2000 and 05 July,2001, a view was expressed by the States that to facilitate introduction of VAT, the Central Government should enable the State Governments to widen their taxbase by allowing them to levy tax on services. In order to look into this suggestion, the Governmentof India constituted a Committee of Finance Ministry Officials and State Finance Secretaries to study theconstitutional/legal feasibility and operational modalities of levy of value added tax on services by State Governments, taking into consideration therecommendations in the reports of the Govind Rao Committee and Parthasarthi Shome Committee inthis behalf. The said Committee has since submitted its report to the Government with the recommendation that the powers of taxation of services be shared by the Central and State Governments.